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REVENUE REVIEW

**Quarterly
Revenue Report
for the
State of
Michigan
MAY 2002**

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2000-01</u>	<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$4,778.2 million	\$4,345.6 million	-9.1%	-4.9%

Revenue collections for second quarter (February–April) fiscal year (FY) 2001-02 were \$432.6 million or 9.1% lower than second quarter FY 2000-01 collections. This decline was a deterioration from the 1.0% decline posted in the first quarter of FY 2000-01. Revenue for fiscal year-to-date (FYTD) totaled \$9.5 billion—down \$487.2 million or 4.9% from the first two quarters of FY 2000-01.

INCOME TAX (NET)

<u>2nd Qtr FY 2000-01</u>	<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$1,418.0 million	\$1,069.9 million	-24.6%	-13.4%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for second quarter FY 2001-02 were \$348.1 million or 24.6% lower than second quarter FY 2000-01 collections. The second quarter weakness was much more pronounced than the 6.4% decline in the first quarter. Withholding payments were down 7.1%, quarterly and annual payments decreased 25.3%, and refunds were up 6.5%. Net income tax collections for FYTD totaled \$3.0 billion—down \$458.3 million or 13.4% from the first two quarters of FY 2000-01.

SALES AND USE TAXES

<u>2nd Qtr FY 2000-01</u>	<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$1,789.2 million	\$1,714.9 million	-4.2%	1.0%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for second quarter FY 2001-02 were \$74.3 million or 4.2% lower than the year-ago quarter. Sales tax due to motor vehicle sales increased 3.1% while all other sales tax collections were down 4.6% in the second quarter FY 2001-02 relative to the year-ago second quarter. Sales and Use tax collections for FYTD totaled \$3.7 billion—up \$36.0 million or 1.0% from the first two quarters of FY 2000-01.

SINGLE BUSINESS AND INSURANCE TAXES

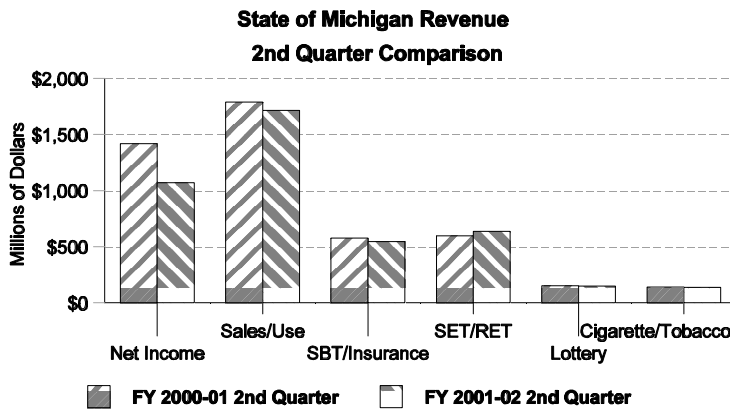
<u>2nd Qtr FY 2000-01</u>	<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$576.0 million	\$544.7 million	-5.4%	-8.1%

Single Business and Insurance taxes are applied to the value added of business activities. For second quarter FY 2001-02, Single Business and Insurance tax collections were \$31.3 million or 5.4% below the year-ago second quarter. Single Business and Insurance tax collections for FYTD totaled \$1.1 billion—down \$94.9 million or 8.1% from the first two quarters of FY 2000-01.

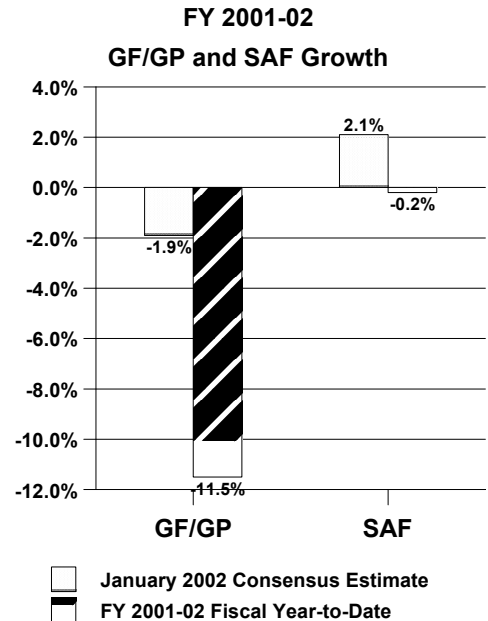
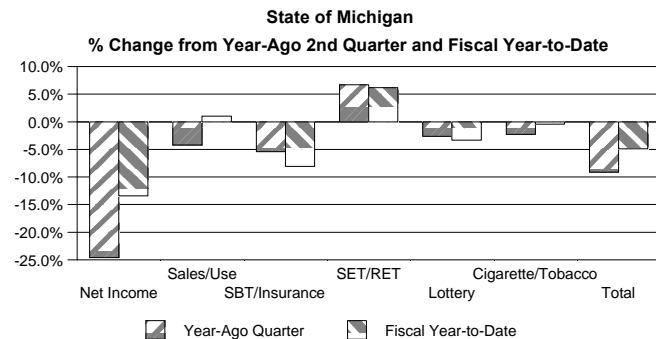
OTHER REVENUE

<u>2nd Qtr FY 2000-01</u>	<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr % Change</u>	<u>YTD %Change</u>
\$995.0 million	\$1,016.1 million	2.1%	1.8%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for second quarter FY 2001-02 was up \$21.1 million or 2.1% from the second quarter of FY 2000-01. Other revenue for FYTD totaled \$1.7 billion—up \$30.0 million or 1.8% from the first two quarters of FY 2000-01.



**Revenue declines accelerated
in net income tax and
sales and use tax collections
during the second quarter of
FY2001-02.**



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2001-02 (Millions of Dollars)

	FY 2001-02	Percent Change From Year-Ago	FY 2001-02	Change From Previous Fiscal Year-to-Date		FY 2001-02 Jan Consensus
<u>Revenue</u>	<u>2nd Qtr</u>	<u>2nd Qtr</u>	<u>Year-to-Date</u>	<u>Dollar</u>	<u>Percent</u>	<u>Forecast Growth</u>
Annual Income Tax	\$410.1	-26.0%	\$432.9	(\$142.2)	-24.7%	-0.7%
Quarterly Income Tax	99.4	-22.3%	331.6	(83.0)	-20.0%	-0.6%
Withholding	1,531.8	-7.1%	3,287.2	(155.7)	-4.5%	0.3%
..... Subtotal	2,041.3	-12.4%	4,051.7	(380.9)	-8.6%	0.1%
Income Tax Refunds	971.4	6.5%	1,077.2	77.4	7.7%	4.2%
..... Net Income Tax	1,069.9	-24.6%	2,974.5	(458.3)	-13.4%	-0.7%
Sales Tax	1,411.9	-3.4%	3,101.5	17.6	0.6%	2.7%
Use Tax	303.0	-7.5%	645.8	18.3	2.9%	5.4%
..... Subtotal	1,714.9	-4.2%	3,747.3	36.0	1.0%	3.2%
Single Business Tax	476.0	-9.4%	963.8	(111.6)	-10.4%	-6.1%
Insurance Tax	68.7	36.3%	108.4	16.7	18.2%	6.6%
..... Subtotal	544.7	-5.4%	1,072.2	(94.9)	-8.1%	-5.0%
Inheritance/Estate Tax	28.1	-40.6%	71.3	(19.1)	-21.1%	-18.3%
Cigarette/Tobacco Tax	138.2	-2.3%	287.3	(1.1)	-0.4%	-2.0%
Lottery	147.7	-2.6%	297.2	(10.0)	-3.3%	-2.9%
Industrial/CommFacility Taxes	65.3	13.2%	87.0	3.5	4.2%	1.3%
Real Estate Transfer (RET) Tax	53.2	-2.4%	111.5	(8.0)	-6.7%	-0.8%
State Education Tax (SET)	583.6	7.6%	865.2	64.7	8.1%	3.9%
..... Subtotal	1,016.1	2.1%	1,719.5	30.0	1.8%	0.0%
TOTAL	\$4,345.6	-9.1%	\$9,513.5	(487.2)	-4.9%	0.4%

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.